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The Many Ways to Measure Inflation

When inflation makes headlines, the conversation usually stops at a single number. Prices went up 3 percent. Or 4 percent. But which number? Measured how? And by whom?

The truth is there's no single "inflation rate." The U.S. government publishes several, each built on different assumptions about who's spending, what they're buying, and how they adjust when prices shift. Understanding the differences could change the way you think about your own financial picture, because the only inflation rate that truly matters is the one you're living with.

CPI: The Headline Number (and Its Lesser-Known Sibling)

The Consumer Price Index for All Urban Consumers (CPI-U) is probably the inflation number you hear most. It tracks how prices change for a basket of goods and services—everything from groceries to medical visits to rent—and it covers over 90 percent of the U.S. population.[1]

But Social Security doesn't use the CPI-U to calculate annual cost-of-living adjustments (COLAs). It uses the CPI-W—the Consumer Price Index for Urban Wage Earners and Clerical Workers. The CPI-W represents a narrower slice of the population, roughly 30 percent, and specifically covers households where at least one member works in an eligible wage-earning or clerical occupation. By definition, it excludes the spending patterns of retirees, the very people whose Social Security benefits it adjusts.[1,2]

CPI-E: An Experimental Index for Older Americans

You have considerable flexibility regarding when you can begin receiving your benefits. You may begin receiving benefits as early as age 62; however, your benefits will be reduced at a rate of about one-half of 1% for each month you begin taking Social Security before your full retirement age.[3]

The full retirement age is 67 if you were born in 1960 or later. If you were born before 1960, your retirement age will be reduced depending on the year in which you were born.

You may choose to delay receiving benefits until after reaching your full retirement age; in which case, your benefits are scheduled to increase by 8% annually. This increase under current law will be automatically added each month from the moment you reach full retirement age until you start taking benefits or reach age 70 – the age at which these delayed retirement credits stop accruing. Plus, your benefit also will increase by any cost-of-living adjustments applied to benefit payment levels during that time.[4]

$13,700 more in COLA payments

1984–2011 · using CPI-E instead of CPI-W

This is a hypothetical example that compares the difference between CPI-Workers and CPI-Elderly. It's an illustration created by the Senior Citizen League to estimate of the potential impact on long-term Social Security benefits. There is no guarantee that CPI-Elderly would continue to increase at a higher rate than CPI-workers.

It's worth noting that the CPI-E remains experimental. The BLS has flagged several limitations: the sample size is relatively small, the areas and retail outlets priced are based on the general urban population rather than older Americans specifically, and senior-citizen discounts may not be fully captured. Any conclusions drawn from it should be treated as tentative, but it raises important questions about whether the current COLA formula reflects the real costs retirees face.[3]

PCE: The Federal Reserve's Preferred Measure

While Congress looks at the CPI-W for Social Security, the Federal Reserve watches a different gauge altogether: the Personal Consumption Expenditures (PCE) Price Index. The Federal Open Market Committee has identified a 2 percent annual increase in the PCE as most consistent with its goals for maximum employment and price stability.[5]

Why PCE over CPI? The PCE covers a wider range of household spending and accounts for substitution behavior. If beef prices spike and consumers shift to chicken, the PCE reflects that change. The CPI, by contrast, tracks a more fixed basket. The PCE is produced by the Bureau of Economic Analysis and is published monthly as part of the Personal Income and Outlays report.[6]

There's also Core PCE, which strips out food and energy prices to reduce month-to-month volatility. Federal Reserve policymakers routinely examine these "core" measures because large price swings in food or energy in one period don't necessarily signal a lasting trend.[5]

Inflation Gauge	What It Tracks	Population Covered	Data Source
CPI-U	Consumer Price Index for All Urban Consumers—the headline inflation number most often cited in the news. Tracks a broad, general basket of household spending.	Roughly 90 percent of the U.S. population	Bureau of Labor Statistics
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers—a narrower measure of households where income mainly comes from hourly or clerical wages. It's the version used to calculate Social Security's annual cost-of-living adjustment.	Roughly 30 percent of the U.S. population	Bureau of Labor Statistics
CPI-E	Consumer Price Index for the Elderly—an experimental measure tracking the spending patterns of Americans 62 and older, whose costs (more healthcare, less transportation, for example) often differ from the general population's.	Americans aged 62 and older	Bureau of Labor Statistics
PCE	Personal Consumption Expenditures Price Index — a broader measure of national spending. It's the inflation gauge the Federal Reserve watches most closely.	All personal consumption nationally	Bureau of Economic Analysis

Newer Tools on the Horizon

Official inflation data arrives with a lag—sometimes weeks after the period it covers. The Federal Reserve Bank of Cleveland addresses this with daily "nowcasts," which estimate the current month's inflation for both the CPI and PCE before the official numbers are published. Meanwhile, alternative trackers like Truflation aim to provide real-time inflation data drawn from a broader set of sources. These tools don't replace official measures, but they offer additional perspective for those watching closely.[7]

What This Could Mean for You

Here's what all of this comes back to: none of these indices measure your inflation. As the BLS itself acknowledges, the CPI reflects the experience of the average household; it "seldom mirrors a particular consumer's experience."[1]
If you spend more on healthcare than the typical household, your personal rate of inflation may run higher than the headlines suggest. If your energy costs are low, it may run at a lower rate.

A financial strategy that's built around you may be better positioned to account for the inflation you actually experience, not just the one that makes the news. If you'd like to talk about how inflation fits into your bigger picture, don't hesitate to reach out.

1. BLS.gov, September 2025.
2. BLS.gov, 2026.
3. BLS.gov, May 2026.
4. SEniorsLeague.org, 2026.
5. FederalReserve.gov, August 2025.
6. FRED.StLouisFed.org, April 2026.
7. ClevelandFed.org, May 2026